



8/26 - Update on Fourth Package

There are a lot of legislative proposals floating around Capitol Hill right now intended to support the economy and to help small businesses weather the COVID-induced economic downturn. Congressional Democrats have pushed forward their **“P4” proposal** that would allow additional PPP funding for borrowers who already have received one PPP loan, and would create carve-outs for borrowers and lenders in underserved markets. The **HEALS Act**, the Senate GOP proposal, would include some fixes to PPP such as streamlined forgiveness, a variation on an additional PPP funding opportunity, and a new long-term loan product for a narrow portion of borrowers ([see NAGGL’s post on this proposal from several weeks ago](#)). More recently, the Senate GOP released a **‘skinny’ package proposal** that was merely a reiteration of the HEALS Act without the long-term loan product proposal included. Meanwhile, House Democrats continue to push the **HEROES Act**, which would provide several PPP fixes and several provisions that would enhance the regular 7(a) loan program and make it a better tool to assist small businesses during these difficult times. Finally, the **RESTART Act**, authored by Senators Bennett (D-CO) and Young (R-IN), proposes a new loan product that would build on the existing PPP infrastructure to specifically help those businesses that have seen revenue decline, would allow borrowers with a greater number of employees than allowed for PPP to be eligible, and would permit some portion of these loans to be forgiven based on revenue losses. In NAGGL’s opinion, none of these proposals, taken individually, would provide everything that small businesses and lenders will need in the coming months.

And where do all of these proposals stand? At a high-level, both sides of the aisle are far apart on both spending and policy priorities when it comes to what goes into a fourth COVID-19 package, creating a chasm that could not be overcome during negotiations earlier this month. NAGGL is not currently aware of any substantive negotiations between Congressional leaders and the White House related to a fourth package. Between the Democratic and Republican party conventions, and the traditional August recess during which Members of Congress on both sides of the aisle are focused on campaigning ahead of November’s hotly contested races, there has been little progress in negotiations. On top of these dynamics, given that it is a Presidential election year, political posturing has seemed to dictate every move. Unfortunately, this leaves small businesses and lenders feeling desperate for the kind of changes and fixes to PPP and the regular 7(a) loan

program that are critical to best support the small business economy.

Given the Congressional calendar and the lack of progress in negotiations on new legislation, it currently seems likely that a fourth package will not take shape for a vote until mid-to-late September. In fact, given the politics and posturing occurring ahead of the general election, it is even possible that no fourth package will be enacted prior to November. Of course, unforeseeable circumstances such as a spike in COVID-19 cases or mass layoffs could spur negotiations and could drive leaders in both parties closer to a deal. Additionally, the need for government funding for Fiscal Year 2021 (FY21) beginning October 1 could play a significant role in how negotiations around a fourth package will transpire. Given the improbability of a divided Congress reaching any deal on a FY21 Omnibus, or full-year spending bill, it is nearly certain that Congress will pass a short-term Continuing Resolution (CR) in September to keep the federal government funded past the November elections. But Congressional leaders have already indicated split positions on whether lawmakers would combine a CR and a fourth COVID-19 package in order to break the stalemate over fourth package negotiations.

Despite all of the stalled negotiations and dynamics, NAGGL still is talking to the Hill on both sides of the aisle to push comprehensive solutions. We have continued to push much-needed fixes to PPP, as well as extensions and fixes to Section 1112 loan payment provisions. In addition, we are continuing to strongly advocate for provisions that would enhance the regular 7(a) loan program, enabling lenders to get back to a program that we know works to help stimulate new lending as a means of improving the nation's small business economy. Please see NAGGL's letter to Senate and House Leadership in which **NAGGL extensively outlines the priorities both borrowers and lenders need to see in a fourth package.**

In the meantime, what should you be telling your boss, your board, and your borrowers? You have decisions to make when it comes to how to move forward on various elements of PPP forgiveness, and both your institution and your borrowers are waiting anxiously as everyone tries to decide what the next steps might be. We get it.

NAGGL's advice? Given the fact that we do not know when or even if a fourth package will pass, nor do we know what will ultimately be included in that fourth package, for the time being, we encourage you to proceed as if no changes will be made. Otherwise, we all could be waiting on the perfect storm that may never come in a Congress seemingly more wrapped up in politics than in finding comprehensive solutions.

In addition, in the conversations taking place both within your institutions and with your borrowers, please keep in mind that there will be a lot of twists and turns ahead. As you follow the messy process of what is happening in Congress over the coming weeks, it will be important to remember that there will be fits and starts and that despite "breaking" news coverage, these proposals may never receive a vote or pass any time soon. As always, NAGGL will keep you posted when there is serious movement that you need to be aware of in the coming days and weeks.

Thank you for all you do.

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